

California Debt and Investment Advisory Commission

Webinar Transcript

SB 1029 Phase II: Modifications to the Report of Proposed Debt Issuance and the Report of Final Sale October 26, 2018

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Title Slide – SB 1029 Phase II: Modifications to the Report of Proposed Debt Issuance and the Report of Final Sale

ROBERT BERRY: Good morning, everyone, and welcome to the California Debt and Investment Advisory Commission's webinar, SB 1029 Phase II - Modifications to the Report of Proposed Debt Issuance and the Report of Final Sale. My name is Robert Berry, and I am the deputy director here at CDIAC. Before we proceed further, if you are experiencing any technical problems, please contact GoToWebinar at (877) 582-7011 or you can click on the link on your screen. The website for GoToWebinar includes information that can help you troubleshoot the problem that you may be having.

Also, the slides for this session are available in the Handouts section of your control panel and also on our website. We will be working through some scenarios today, so having the printed slides may be helpful to you. And we will also post the webinar replay to our website in case you would like to review any of the material presented today, usually in about a week. We have incorporated a live captioning service in this webinar, which is accessible by clicking the link on the screen or just entering that address in your browser.

This webinar is the first of two that will cover the recent modifications aimed at streamlining the data submittal process under SB 1029. Next week on Thursday at 10:00 AM, we will have a webinar covering the modifications to the Annual Debt Transparency Report. Then also, please notice that our fundamental investments and debt seminars are coming up in January and February, and the links to more information and to register for those programs are on the screen, or you can just go to the CDIAC website under Education.

Slide 2 – SB 1029 Phase II: Modifications to the Report of Proposed Debt Issuance and the Report of Final Sale **01:55**

ROBERT BERRY: So welcome again to our broadcast on the modifications to the Report of Proposed Debt Issuance and the Report of Final Sale. Joining me today on the webcast and eagerly awaiting their turn to speak to you today are CDIAC's two principal managers who have been leading the effort to implement the enhancements that we will discuss today. That will be Joyce Ward and Usha Patel. We will also be assisted by Jeff Field, one of our Data Unit analysts. He will be helping us with the questions today.

Slide 3 – SB 1029 Phase II Modifications – Agenda **02:25**

ROBERT BERRY: So this morning, I will provide a brief description of the reasons for the enhancements that caused the changes that we will discuss and then next, just a brief summary of

what actually has changed. Then Joyce and Usha will walk you through the modified process for submitting authorization information on both the Report of Proposed Debt Issuance and the Report of Final Sale. And lastly, we will open it up for questions. You can feel free to submit your questions during the course of the presentation. If we can fit them in, we will go ahead and answer them as they come in, or else, we will just hold them off until the end during our question period.

Slide 4 – SB 1029 Phase II Modifications – Reasons for Modifications

03:04

ROBERT BERRY: So the reasons for the modifications. There are several reasons for the modifications that we have implemented, but they all relate to the requirement to collect information on debt authorizations under SB 1029 and essentially provide an annual authorized but unissued balance for these authorizations. First, SB 1029 or Government Code 8855(k) establishes the annual reporting requirement for each issue of debt at the issue level. So while this statutory construct meshes well with CDIAC's systems because our database architecture and all of our methods of submission, as you know, and reporting are issue-centric, it doesn't really sync up well with the issuance authorization data that statute requires issuers to submit. It does not take into account that debt authorizations are not necessarily issue-specific. They do not represent a one-to-one relationship. An issuance of debt can be authorized under one authorization and through its issuance affect another authorization, or a debt issuance that is partially authorized under two distinct authorizations. Or the most common, multiple debt issues are authorized under the same authorization over multiple SB 1029 reporting periods.

So reporting the issuance activity and the end period balance under a specific authorization on the Annual Debt Transparency Report was tedious. It required issuers to report the same information over and over for every reportable issue that used that specific authorization. So the submission of data in this manner over and over again increases the error rate and likely the error correction effort that CDIAC would have to maintain, and we estimate to an unsustainable level.

So in order to improve this filing experience for issuers and to increase the validity of the data submitted, we needed to collect the authorization information at the time of issuance and aggregate the data at year-end for the ADTR, the Annual Debt Transparency Report. This required the modifications to the Report of Proposed Debt Issuance and Final Sale that we will review today. And then lastly, we needed to accommodate issues of debt that both reduce and replenish a debt authorization. Such is the case when long-term debt is issued to pay off interim financing. This is the only way that we can ensure that an accurate balance in the authorization can be achieved on the Annual Debt Transparency Report.

Slide 5 – SB 1029 Phase II Modifications – What's Changed

05:53

ROBERT BERRY: So what really has changed in the process? Well, first, only voter-approved authorizations were required to be reported in the Reports of Proposed and Final Sale. Now, all debt issues must report an issuance authorization, at least one. This is because all issues are required to report on the issuance authorization on the Annual Debt Transparency Report. Next, before, only the reduction in the authorization could be reported. Now, a reduction in the authorization due to the issuance and a replenishment can be reported in the same or two separate authorizations. As I mentioned, we have now added a second authorization to accommodate the more complex issuance structures and circumstances, and then lastly, the issuance activity associated with an authorization had to be submitted, and often resubmitted, on the ADTR. Now, the issuance activity reductions and replenishments will be carried forward automatically to the

ADTR. So essentially, that data will be waiting for you when it is time to submit your Annual Debt Transparency Report.

Slide 6 – SB 1029 Phase II Modifications – Walk Through Modified Submission Process 07:05

ROBERT BERRY: So now, I'll turn it over to Joyce and Usha, and they will walk you through, step by step, how these changes directly affect the submission process for the Report of Proposed Debt Issuance and the Report of Final Sale. Joyce.

JOYCE WARD: Thank you, Robert, and good morning, everyone. Now, we're going to walk through a sample submission. Here is our disclaimer: we created fictitious issuers and developed scenarios for each issuer to illustrate the functionality of the report. We are going to concentrate on the new Authorization section of the report this morning. So let's go to Scenario I.

Slide 7 – SB 1029 Phase II Modifications – Scenario 1: One Authorization 07:46

JOYCE WARD: The voters in the Big Valley Unified School District approved a general obligation bond Measure E authorizing the issuance of \$93 million for the improvement of school facilities and the construction of an arts center. In January 2009, Big Valley USD issued Series A in the amount of \$10 million and submitted the Report of Final Sale. In January 2012, the district issued Series [B] in the amount of \$5 million and again submitted their Report of Final Sale. On December 15th, 2016, the district issued Series C in the amount of \$13,676,448. It included \$12 million in current interest bonds and approximately \$1.7 million in capital appreciation bonds. Again, they submitted their Report of Final Sale.

Slide 8 – SB 1029 Phase II Modifications 08:43

JOYCE WARD: On December 15th, 2017, the district submitted a report of proposed showing that they intended to issue Series C in the amount of \$22 million. Here is what was submitted in the Authorization section on a Report of Proposed Debt Issuance. As you can see, this affected only one authorization. So only the fields in Issuance Authorization 1 were completed. There will be no replenishments and the original authorization is expected to be reduced by \$22 million. The fields in Issuance Authorization 2 are left blank. Now, we are going to go online to our Report of Final Sale.

CDIAC Web Page – <https://www.treasurer.ca.gov/cdiac/> 09:32

USHA PATEL: Hello. Joyce, before we go to the website....Since we deployed the updated Report of Proposed [Debt Issuance], we have received questions about what to enter in the Issuance Authorization 1 fields if you do not know that information. Our preference is that submitters do the following: for the Original Amount, use the proposed principal amount. For the Authorization Date, use the proposed sale date. For the Authorization Name, use Authorization TBD, to be determined.

JOYCE WARD: Usha, I think for the Authorization Date, we settled on using the date that you submitted the Report of Proposed. We originally considered the proposed sale date but we settled on using the date you submitted the Report of Proposed.

USHA PATEL: These are just suggestions, but we want ensure that we maintain consistency in our naming conventions throughout the whole process. Whatever you choose to enter will have to be updated when you file your Report of Final Sale.

JOYCE WARD: We are going to refer to this data that you’re entering just as a placeholder as “dummy data.” So as we go and we talk about dummy data, that’s what we’re going to be referring to.

USHA PATEL: I also want to point out that we have updated our instructions to include the new Issuance Authorization sections. If anyone is new to submitting our reports or just wants to refresh their memory, each set of instructions addresses every data field included in the particular form. Now, I’m going to select Report of Final Sale and enter the CDIAC number and password.

CDIAC Web Page – <https://www.treasurer.ca.gov/cdiac/reporting.asp> 11:24

CDIAC Web Page – [https://cdiacforms.treasurer.ca.gov/\(S\(usdkinra5xj1vm55phncssan\)\)/login.aspx?form=final](https://cdiacforms.treasurer.ca.gov/(S(usdkinra5xj1vm55phncssan))/login.aspx?form=final) 11:28

USHA PATEL: I’m going to enter the CDIAC number...and the password.

JOYCE WARD: Okay. Thanks, Usha. As we scroll down to the Authority section of the report, you can see that there are several fields of data have been prepopulated with data submitted on the Report of Proposed. Although no edits can be made to the prepopulated fields in the Authority 1 section, you can create a new authorization if the data is no longer accurate or if you had to enter dummy data into the Report of Proposed. Click on the down arrow in the Authorization Name section and select Other.

As can see, the data that was previously prepopulated now shows a blank field. There, you can add the original authorized amount, the authorization date and the correct name of your issuance authorization. This is how you will update your authorization information if you had to enter dummy data or if your authorization changed. Since the prepopulated information is correct, we won’t make any changes to it. There is no replenishment, so we’ll leave that as a zero. The Amount Authority Reduced (By This Issue) field is a mandatory entry field. The submitter already included that amount on the Report of Proposed, so it is prepopulated. If they had not, you would have to put an amount into this field.

I’d like to draw your attention to the Net Reduction or Increase field. It shows a negative number. That indicates that a reduction was made to the authorization. The fields in Issuance Authorization 2 section are blank, and we’ll leave them that way since there was no secondary authorization used. If we were actually going to submit this report, we would complete all the other mandatory entry fields, verify, confirm and submit the report. We would then be given the opportunity to print our submission. Does anyone have any questions? If there are no questions, we are now going to go to our second scenario.

Slide 9 – SB 1029 Phase II Modifications – Scenario II: Two Authorizations 14:10

JOYCE WARD: For this one, we’re going to review an issue that affects multiple authorizations. Scenario 11. On September 1st, 2017, the board of directors of the Cartwright Water District approved a resolution to establish a commercial paper program. The commercial [paper] program

will provide short-term funding for the implementation of its water system improvement project. The district can have no more than \$25 million in commercial paper notes outstanding at any time. The notes will be repaid with the proceeds from the issuance of public enterprise revenue bonds.

On October 1, 2017, the district issued \$5 million in CP notes. On January 15, 2018, they issued an additional \$10 million in CP notes. They submitted their Reports of Final Sale for each of the financings.

Slide 10 – SB 1029 Phase II Modifications**15:15**

JOYCE WARD: On April 1, 2018, the district submitted a Report of Proposed showing the intent to issue \$12 million in public enterprise revenue bonds. They intend to repay a portion of the CP notes with proceeds from the bonds. Here's what was submitted on the Report of Proposed Debt Issuance. Alright, now let's go online and take a look at the Report of Final Sale.

Return to CDIAC Web Page with Sample Report of Final Sale**15:43**

JOYCE WARD: Again, Usha is entering her CDIAC number and password. So as we scroll down to the Authorization section, we are going to make some changes this time. Our resolution was delayed and it has a different name. So we're going to click the down arrow in the Authorization Name field of Issuance Authorization 1, and we're going to click Other.

USHA PATEL: Okay Joyce, this may be a good time to talk about our naming convention. If the authorization was a measure, enter the word "Measure" followed by the letter or number. For propositions, enter the abbreviation "Prop," P-r-o-p, followed by the letter or the number. For a numbered resolution, enter the word "Resolution" followed by "N-o" and then the actual number. For the dated resolutions, enter the word "Resolution" followed by "dated" and then the date. For any other types of authorizations, enter the name as it appears on the document. Again, our goal is to maintain a consistent naming convention throughout the reporting process.

JOYCE WARD: Thanks Usha. For the Original Amount, let's enter \$12,000,000 for the Original Authorized Amount. For the date, we're going to enter April 1st, 2018, and for the Name let's enter Resolution No 2018-0401. There was no replenishment so we're going to leave that at zero. Now, let's enter \$11,500,000 since we didn't need to issue as much debt as we thought we would. Remember, this is a mandatory entry field. The Net Reduction or Increase shows a negative amount indicating a reduction to the authorization.

We did decide to pay off some of our commercial paper notes, so we need to add a second authorization. So let's scroll to the Authorization Name field in Authorization section 2.

USHA PATEL: Let me make sure we've got the naming convention. I think we forgot the "No."

JOYCE WARD: Let's go down to Name and click the down arrow, and again, we're going to select Other. For the Original Authorized Amount, we will enter the \$25,000,000 that is the not to exceed amount for the CP program. For the date, we're going to enter September 1st, 2017, and for the Name, let's enter Cartwright Water District CP Program.

Alright, let's tab out of there. I'm not sure why the Authorization Date is saying "Invalid" because it's not, but let's go ahead and....Okay, it went away. There you go. And where you see that

“Cannot use same authorization,” that’s just come cautionary advisement there. You will be able to go ahead and submit your report. We may ask that not show up as red, that we may change it to some other color [such] as black, but it’s just a caution that you can’t have the same authorization reflected in both Authorization section 1 and 2.

So now, in the Replenished field, we’re going to enter \$6,000,000 because we decided to pay off \$6 million of our CP notes. In the Amount Authority Reduced By, that’s a zero. We are not reducing the authorization. Now, you can see the Net Reduction or Increase field, it shows a positive number. That shows that we are increasing or replenishing the CP authorization. Now, if we were going to submit this report, we would verify, confirm, and submit the data, and again, you would be given the opportunity to print a copy of your information. Jeff, do we have any questions?

JEFF FIELD: We have a question related to the first scenario. The question is, “Where does it capture previously authorized amounts?” I think that means where does that prepopulated data in the case of the first scenario, Measure E, where does that come from. If I understand that correctly.

JOYCE WARD: The fields on the Reports of the Proposed and Reports of Final Sale are issue-specific. Where they’re going to see those pre-issued amounts is going to be on their ADTR. When they submit their ADTR, everything that has been reduced or issued or replenished for that authorization will be captured in an aggregate number on an ADTR. So they won't see that on each individual Proposed or Final. Is that it?

JEFF FIELD: That's it.

JOYCE WARD: No questions? Alright. So let's go back to our PowerPoint. Let’s go to the next slide.

Slide 11 – SB 1029 Phase II Modifications – Review

22:39

JOYCE WARD: Let's just do a review. So you must enter at least one authorization on a Report of Proposed and Final. If you have to enter dummy data, that data will have to be corrected when you submit your Report of Final Sale. Okay, so for our naming convention, we have it listed here on the screen. CDIAC wants to maintain consistency for the authorization names throughout the database and throughout the process. If you do not conform your submittal to our naming convention, we will when you submit your Report of Proposed. So when you see your Report of Final, it will be formatted to our naming convention.

Is there anything else? And just remember, if you need to enter dummy information, you always go through whichever authorization, either Authorization 1 or 2, and you down go to the Authority Name field, click the down arrow and select Other and then, you can change your authorization information. Okay, that's all I have. You don't have any questions, Jeff? All right. Robert, back to you.

ROBERT BERRY: We’ll open it up [and] give time for people to...

JOYCE WARD: ...digest...

ROBERT BERRY: ...put some questions in. We had an hour and a half scheduled for this broadcast but clearly, we are not going to use the entire hour and a half unless we have an hour worth of questions. So feel free to put questions in at this point.

JEFF FIELD: We do have one question and it's regarding the replenishment option feature. The question is: Authorization 2 and replenishment information would not be appropriate when you are issuing refunding general bonds or refunding certificates of participation, correct?

JOYCE WARD: That's true. That's true unless you have some sort of bond authorization that says if it matures or you pay it off, that you can again reissue that debt, but I would say 99 times out of 100, that's true.

ROBERT BERRY: And also, it's important to note that CP rollover is not subject to the filing requirements. Only new CP notes are required to file a Report of Proposed and Report of Final. So the rollover paper notes won't even be in the system.

JOYCE WARD: Right.

JEFF FIELD: We have a question asking whether the SB 1029 and ADTR are different reports.

JOYCE WARD: No, same report. SB 1029 was the legislation. The ADTR is our acronym for the Annual Debt Transparency Report. So legislation and then the report that is in compliance with that legislation.

JEFF FIELD: Someone says, "We keep having trouble with filings going through. Is this fixed now? It takes a lot of time to keep re-typing everything."

JOYCE WARD: Usha?

USHA PATEL: We are working with IT. We recently went through a conversion that's why we were having a little bit of difficulty, but we are very confident that the system will be working. So please be patient. If you have an issue and you try numerous times, just give us a call at CDIAC and someone will be able to help you and guide you through the process.

JOYCE WARD: We try to address the issues as they are brought to our attention. You can either call CDIAC or you can.... Usha, go to the next slide and they can see the email address for the data unit, that address at the bottom.

Slide 12 Skipped

Slide 13 – SB 1029 Phase II Modifications – CDIAC Contacts

26:58

JOYCE WARD: If you are having issues, just email the Data Unit, and if possible, if you have them, including some screenshots of what it is you are trying to enter, it may help them to figure out what is happening and help our IT Department to also figure out how to resolve the issue.

JEFF FIELD: Okay, next question that asks, "Last year, there were prepopulated fields," – I think this is related to the ADTR – "last year, there were prepopulated fields that couldn't be changed and several times when that information was wrong, we had to call up CDIAC to get it fixed. Will we be able to adjust it on our own this year?"

JOYCE WARD: No, you won't. I think last year the prepopulated fields were in the General Information section, and they dealt with the name of the issuer, the sale date, the principal amount, the name of the project, the issue name so that data is what's contained in our database. It's been conformed to our naming conventions. If you find that something is wrong – the sale date is wrong, we have the principal amount wrong – then you need to contact CDIAC, we'll fix it, and then, you'll have to wait a whole 24 hours before you can submit your report again. So I'll have to remind you that all that information comes from the Report of the Final Sale that has been submitted. So that's where we get it. Even though we conform it to our naming convention, we don't change any of the actual data.

JEFF FIELD: A couple of folks are asking, “Can you save a partial report? Can you save an in progress report?” In other words, before submitting it, save it and then come back to it and finish it.

JOYCE WARD: Unfortunately, our IT Department tells us that that is not possible at this point in time. It's something that we have requested and that we're going to continue to ask for them to work toward because it's something we've been asked many, many times, but at this time, it is not possible.

JEFF FIELD: Regarding commercial paper: “If we are adding CP within existing authority levels, would each additional increment need to be reported?”

JOYCE WARD: As Robert stated, we are only asking for issuers to report when they issue new CP. That means when they're reducing the amount of their CP authorization. If you're just rolling over CP, no, you do not have to submit Reports of Proposed or Finals for that. Only if you're issuing new CP.

ROBERT BERRY: So if the question relates to, do we report the amount of the CP program, the entire CP authorization up on the Report of Proposed or the amount of CP notes issued, it's actually the latter. So for each issue of new CP notes, a Proposed and Final is required.

JOYCE WARD: In the Authorization section, that is where they should put the total amount of their CP program.

ROBERT BERRY: And there is actually in our Debt Line newsletter for October, we – this is October, yes? – we have an article on CP reporting that might help folks get through that.

JEFF FIELD: Another question about commercial paper. “Commercial paper notes are usually combined with other notes and rolled into a new note, and therefore, they lose the original par” – presumably the par that was reported previously – “when a portion of that is refunded by bonds, what report number should be used?”

JOYCE WARD: So, umm....

JEFF FIELD: In other words, what report number should be...? An ADTR question. There's that section on the Refunding section, whereby you enter the CDIAC number of a prior issue, in a scenario like this....

JOYCE WARD: Well, I believe that the issuer is going to have to identify which issue of CP they are refunding or paying down with their bond. There's no way for CDIAC to know.... If you have

multiple commercial paper issuances, I know that sometimes, you do not pay off those notes in like in a first in, first out scenario, but there is no way for us to know that. The issuer is going to have to tell us which issue of CP is being affected by the issuance of the bond. There's no way for us to know. If that's what your question is related to.

JEFF FIELD: It might be a scenario where the proceeds of multiple issues are combined and then applied to....

ROBERT BERRY: This might be a question that we need to follow up with the questioner offline to understand the circumstances more fully. I think that it might be a combination of a question related to the Annual Debt Transparency Report itself and the authorization information we are collecting on the Report of Proposed and Final so maybe it is something that we can try to clarify and answer on next week's webinar. If the questioner were to call in, and we can go over that question next week when we are actually in the ADTR form at that time.

JEFF FIELD: Here's a question about the Report of Final Sale: "When we enter in the rating, insurance and interest information in the final report, it clears the drop down box labeled "Type of Debt Instrument," and you have to go back each time and re-enter it. Are you aware of this issue and is it getting fixed?"

JOYCE WARD: I wasn't aware of that. Were you guys aware of that, Usha?

USHA PATEL: Did we get any phone calls? We'll note it down and we'll....

ROBERT BERRY: We'll work on that. Thank you.

JOYCE WARD: I would say if you are trying to submit an issue, go ahead and email that to the Data Unit and we make sure that we understand what the problem is, and we'll address it with IT.

JEFF FIELD: A question about when the notices are going out.

JOYCE WARD: For the ADTR?

JEFF FIELD: I assume so. For the obligations issued this year.

JOYCE WARD: Yeah, for our notices for ADTR, we plan on doing that after the 1st of November. We wanted to do our ADTR webinar first, but Jeff has that in the queue, so he's ready to send it out right after we do the webinar.

ROBERT BERRY: So a couple of weeks.

JOYCE WARD: Yep.

ROBERT BERRY: Anything else?

JEFF FIELD: "Are you recording the presentation? Will we be able to hear it later?" It goes up in, what, about a week?

ROBERT BERRY: Yes, in about a week, there will be a replay of this broadcast, as well as the broadcast next week, the webcast next week.

JOYCE WARD: And if we get some clarification on the question about...that we couldn't answer during the webinar, we will email all of the participants with the answers to those questions just in case anybody else is wondering.

JEFF FIELD: "What is the effective date of these changes?" The forms are up.

JOYCE WARD: Yeah, we had the forms posted to our website on the 19th or the 18th so the forms are up. So therefore, these changes are effective now. Any other questions, Jeff?

JEFF FIELD: Oh, the tabbing issue. I think this refers to the Cost of Issuance section in particular. I have noticed this, too. Entering data into a field, hitting tab, it doesn't always go to the intuitively next field. It goes somewhere it's not supposed to or somewhere you don't necessarily want it to if you want to do the form in kind of a flow.

JOYCE WARD: Well, let's go look at the Report of Final Sale online, and let's check out our tab order. And then we can address it with IT, and let's get the proper tab order.

JEFF FIELD: I have noticed it, too. The Cost of Issuance section is where I noticed it.

JOYCE WARD: We should have addressed it prior, so we'll make sure that we address it now.

JEFF FIELD: "How soon will we be able to submit reports?"

JOYCE WARD: Actually, the ADTR report is actually online now. You can submit your ADTR. It should be functional, so if you want to submit it, you can. You can submit your ADTRs whenever you want.

ROBERT BERRY: And our instructions are updated, so if you are eager and want to get in there and kind of go through the ADTR in advance of the webinar next week, you can, or you can wait until after you hear about the changes next week and file it after that. So it is active and ready to go.

JOYCE WARD: And if you do want to know which issues we have determined that you are required to submit an ADTR on, you can contact the Data Unit. They can provide you that list at any time.

JEFF FIELD: That's it.

ROBERT BERRY: I guess that wraps up the questions that we have. I would just like to thank all of you today for your participation. Again, the actual webinar on the Annual Debt Transparency Report will be next week, Thursday, at 10:00 AM. I imagine it won't be an hour and a half long webinar – similar to this one, it's probably more in the range of 45 minutes to an hour. So you can adjust schedule to that length of a webinar. So again, thanks very much. Thanks, Joyce, Usha, Jeff. Hope to hear or see all of you next week.

JOYCE WARD: Bye. Thank you.